

**UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

<div>In re:</div> <div>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,</div> <div>as representative of</div> <div>THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i></div> <div>Debtors.<sup>1</sup></div>	<div>PROMESA Title III</div> <div>Case No. 17-BK-3283-LTS (Jointly Administered)</div>
<div>In re:</div> <div>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO</div> <div>as representative of</div> <div>PUERTO RICO ELECTRIC POWER AUTHORITY,</div> <div>Debtor.</div>	<div>PROMESA Title III</div> <div>Case No. 17-BK-4780-LTS</div> <div><b>Re: ECF No. 2699</b></div>

**STATUS REPORT OF GOVERNMENT PARTIES  
REGARDING 9019 MOTION AND COVID-19 PANDEMIC**

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<sup>1</sup> The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States District Court Judge Laura Taylor Swain:

The Puerto Rico Electric Power Authority (“PREPA”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the Debtor’s sole Title III representative pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”),<sup>2</sup> and the Puerto Rico Fiscal Agency and Financial Authority (“AAFAF,” and collectively with PREPA and the Oversight Board, the “Government Parties”), as the entity authorized by Puerto Rico law to act on behalf of PREPA pursuant to the Enabling Act of the Fiscal Agency and Financial Advisory Authority, Act 2-2017, respectfully submit this status report (the “Status Report”), regarding the response to the COVID-19 pandemic and the status of the 9019 Motion.<sup>3</sup>

### **Recent Procedural History**

1. On January 19, 2022, the Government Parties filed their most recent *Status Report of the Government Parties Regarding the COVID-19 Pandemic and the 9019 Motion* [ECF No. 2691] (the “January 19, 2022 Status Report”) addressing, among other things, (i) ongoing efforts to mitigate the effects of COVID-19 on the island (¶¶ 6–7), (ii) the status of efforts to implement the RSA (¶¶ 8–9), and (iii) progress on PREPA’s other key objectives (¶ 10). The Government Parties requested that they be permitted to provide the Court an updated status report on their position on or before March 31, 2022. *Id.* ¶¶ 11–12.

2. In response to the January 19, 2022 Status Report, on January 20, 2022, the Official Committee of Unsecured Creditors (the “Committee”) filed the *Official Committee of Unsecured*

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<sup>2</sup> PROMESA is codified at 48 U.S.C. §§ 2101–2241.

<sup>3</sup> See *Joint Motion of Puerto Rico Electric Power Authority and AAFAF Pursuant to Bankruptcy Code Sections 362, 502, 922, and 928, and Bankruptcy Rules 3012(a)(1) and 9019 for Order Approving Settlements Embodied in the Restructuring Support Agreement* [Case No. 17-BK-4780-LTS, ECF No. 1235] (the “9019 Motion”).

*Creditors' Response and Objection to Status Report of the Government Parties Regarding the Covid-19 Pandemic and the 9019 Motion* [ECF No. 2692] (the "Committee Response"). The Committee requested that the Court not prolong the stay of the 9019 Motion pending submission of a further status report on March 31, 2022.

3. On January 28, 2022, the Oversight Board filed the *Reply to Committee Response to January Status Report of the Government Parties Regarding COVID-19 Pandemic and 9019 Motion* [ECF No. 2697] (the "Oversight Board Reply"), and the Court entered an order continuing the stay and directing the Government Parties to file an updated status report by March 31, 2022. *See Order Concerning Status Report of the Government Parties Regarding the COVID-19 Pandemic and the 9019 Motion* [ECF No. 2699].

4. On February 18, 2022, the Ad Hoc Group of PREPA Bondholders (the "Ad Hoc Group") filed the *Urgent Motion of the Ad Hoc Group of PREPA Bondholders Pursuant to Section 312 of PROMESA and Section 105 of the Bankruptcy Code to Appoint a Mediator and Impose Deadlines for a PREPA Plan of Adjustment* [ECF No. 2716] (the "Ad Hoc Group Mediation Motion") requesting the Court to compel mediation between the Oversight Board and themselves, and set certain plan confirmation deadlines. Numerous parties submitted objections or other responses to the Motion, including the Oversight Board. *See, e.g.*, ECF Nos. 2724, 2731, 2732, 2733, 2734, 2735, 2726.

5. On March 8, 2022, the Governor of Puerto Rico and AAFAF's executive director announced the government of Puerto Rico had exercised its right to terminate the RSA. *See AAFAF's Informative Motion Regarding Termination of the PREPA RSA* [ECF No. 2747].

6. That same day, the Court entered an order denying the Ad Hoc Group Mediation Motion. However, the Court also ordered the Oversight Board to meet and confer with major

stakeholders “to consider whether a consensual mediation arrangement can be entered into promptly to resolve key plan-related issues,” and file a joint status report with AAFAF by March 18, 2022. *See Order Denying Urgent Motion of the Ad Hoc Group of PREPA Bondholders to Appoint a Mediator and Impose Deadlines for a PREPA Plan of Adjustment and Directing Additional Consultation and Filings* [ECF No. 2748] (the “March 8 Order”) at 12. In addition, the March 8 Order provided the Oversight Board until May 2, 2022 to file an indication of its proposed path forward to conclude PREPA’s Title III case. *See id.* at 12–13.

7. On March 16, 2022, the Court entered an order (the “March 16 Order”) amending the March 8 Order, indicating “[t]he Court is exploring whether a judicial mediator or mediation team can be made available to facilitate development of a plan of adjustment for PREPA and the resolution of related litigation.” Case No. 17-03283-LTS, ECF No. 20357 at 2. That same day, the Ad Hoc Group, Assured Guaranty Corp. and Assured Guaranty Municipal Corp. (together, “Assured”), and National Public Finance Guarantee Corporation (“National”) filed an *Informative Motion in Connection with the Order Amending Scope of March 18, 2022, Status Report Required by the Order Denying Urgent Motion of the Ad Hoc Group of PREPA Bondholders to Appoint a Mediator and Impose Deadlines for a PREPA Plan of Adjustment and Directing Additional Consultation and Filings* Case No. 17-04780-LTS, ECF No. 2759 (the “Bond Party Informative Motion”). The Bond Party Informative Motion requested the reappointment of one or more of the prior Commonwealth mediation team, and indicated the willingness of the Ad Hoc Group members, Assured, and National to pay the costs of such mediator(s) if reappointed. *Id.* at 2-3. Nonetheless, the Bond Party Motion stated “[w]hichever mediator is chosen by the Court, the Ad Hoc Group, Assured, and National reiterate their commitment to working with the Government Parties in good faith and on an expedited basis to develop a revised agreement that can form the

basis of a consensual plan by the May 2 deadline.” *Id.* at 3. On March 17, 2022, the Court entered an Order Supplementing March 16, 2022 Order Concerning Mediation Status Report, Case No. 17-03283-LTS, ECF No. 20400, indicating that any judicial mediator(s) appointed by the Court would be “judge(s) with substantial complex bankruptcy and mediation experience who have not previously been involved with the PROMESA proceedings.” *Id.* at 1.

8. On March 17, 2022, the Government Parties filed *Government Parties’ Status Report in Furtherance of March 8, 2022 Court Order Regarding Mediation of a PREPA Plan of Adjustment* [ECF No. 2761] (the “March 17, 2022 Status Report”) updating the Court on the status of the Oversight Board’s engagement with parties in interest regarding a consensual resolution of outstanding issues relating to PREPA’s Title III case. The Government Parties reached out to virtually all the major constituencies.

9. On March 22, 2022, the Oversight Board filed a status report regarding the status of communications with multiple stakeholders regarding immediate next steps toward the resolution of PREPA’s Title III Case. *See* Case No. 17-03283-LTS, ECF No. 20428 at 5–6 (the “Omnibus Hearing Status Report”). The Oversight Board incorporates its statements related to PREPA in the Omnibus Hearing Status Report and the March 17, 2022 Status Report into this Status Report.

#### **Update on Conditions on the Island**

10. Since the submission of the January 19, 2022 Status Report, COVID-19 positivity rates have dropped nationally, including in Puerto Rico.<sup>4</sup> As of March 10, 2022, most COVID-19 restrictions on the Island have been eliminated, including requirements regarding masks,

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<sup>4</sup> Juan Filipe Santos & Carlos J. Saavedra-Gutierrez, *Puerto Rico Drops Most COVID-19 Measures*, SHRM, <https://www.shrm.org/resourcesandtools/legal-and-compliance/state-and-local-updates/pages/puerto-rico-drops-most-covid-19-measures.aspx>.

capacity limits, and vaccination requirements.<sup>5</sup> Further, Governor Pierluisi delegated any additional COVID-19 restrictions to the Puerto Rico Department of Health (“PRDOH”).<sup>6</sup> On March 8, 2022, the PRDOH issued an administrative order detailing ongoing COVID-19 restrictions such as masking requirements in limited areas such as public transportation facilities, health institutions, and for persons attending indoor classes.<sup>7</sup>

11. As of March 30, 2022, it was reported there were 269,643 confirmed cases of COVID-19 and 4,170 total deaths caused by the disease on the Island since its outbreak.<sup>8</sup> Reportedly, as of March 30, 2022, 2,660,971 residents had been fully vaccinated and 1,413,632 residents had received booster doses of the COVID-19 vaccine.<sup>9</sup>

### **Path Forward for PREPA’s Restructuring**

12. As detailed in the March 17, 2022 Status Report and Omnibus Hearing Status Report, the Government Parties have conferred with all key stakeholders in PREPA’s Title III case, and each of these parties are supportive of engaging in mediation with respect to a consensual plan of adjustment. The Government Parties expect the mediation will include all issues relevant to PREPA’s Title III case, including over \$8 billion in bond debt and asserted security interests, over \$700 million in unsecured fuel line loans and their asserted priority, general unsecured claims, collective bargaining agreements, and PREPA’s pension plan. The Government Parties are hopeful a consensual resolution of the key issues necessary for a confirmable PREPA plan of

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<sup>5</sup> *Executive Order No. OE-2022-019*, available at: <https://www.estado.pr.gov/en/executive-orders/>.

<sup>6</sup> *Id.*

<sup>7</sup> *Administrative Order No. AO-2022-533*, available at: <http://www.salud.pr.gov/CMS/261>.

<sup>8</sup> Departamento de Salud, COVID-19 Cases in Puerto Rico, available at <https://covid19datos.salud.gov.pr/>.

<sup>9</sup> Departamento de Salud, COVID-19 Cases in Puerto Rico, available at <https://covid19datos.salud.gov.pr/>.

adjustment is achievable in a relatively short time. The Government Parties therefore hope to commence mediation as soon as possible.

13. In light of the updates provided above, the Government Parties submit further updates regarding the RSA and the 9019 Motion are not necessary, and any updates regarding the COVID-19 pandemic in Puerto Rico may be done as part of omnibus hearing updates going forward. The Government Parties look forward to working toward commencing the mediation and bringing PREPA's Title III case to a fair and constructive conclusion.

*[Remainder of page intentionally left blank]*

Dated: March 31, 2022  
San Juan, Puerto Rico

Respectfully submitted,

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